

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 AF-06

ARA-06 EA-06 EUR-12 /122 W
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R 051430Z JUL 75 ZDK
FM USINT BAGHDAD
TO SECSTATE WASHDC 2161
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ENRG, IZ

SUBJECT: IRAQI OIL POLICY AND CONOCO INTEREST IN E & P

1. DEPARTMENT'S ATTENTION IS CALLED TO SUPPLEMENT TO MIDDLE EAST ECONOMIC SURVEY OF JUNE 20 ON "IRAQ'S OIL POLICY IN FOCUS" (TEXT TRANSMITTED BY EMBASSY BEIRUT AIRGRAM). AS IS PRACTICE OF MEES, NEWS EDITOR IAN SEYMOUR ALMOST CERTAINLY CLEARED THIS ARTICLE WITH SECGEN OF FOLLOW UP COMMITTEE ADNAN HAMDANI AND MIN PET ABDEL KARIM BEFORE PUBLICATION AND IT THUS REPRESENTS AUTHORITATIVE STATEMENT.

2. MOST OF ARTICLE IS CONFIRMATION OF PREVIOUSLY REPORTED IRAQI POSITIONS BUT IN MORE PRECISE AND DETAILED FORM; E.G.

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CAPACITY TARGET FROM 6.5 MBD BY 1980 TO 4 MBD BY 1982 AND
INSISTENCE ON STRAIGHT SERVICE CONTRACTS FOR NEW

EXPLORATION AND PRODUCTION.

3. FURTHER CONFIRMATION OF HARD LINE POSITION ON E & P WAS PROVIDED JULY 3 TO VICE PRESIDENT O'DELL OF CONTINENTAL OVERSEAS OIL COMPANY. (O'DELL'S EXPLORATORY MISSION IS ONE OF FIRST BY AMERICAN OIL COMPANY REPRESENTATIVE INTERESTED IN EXPLORATION SINCE ABRUPT IRAQI WITHDRAWAL IN MAY 1974 OF SIX BLOCS BEING TENDERED.) VICE PRESIDENT OF INOC ALI HADI AL-JAABAR TOLD O'DELL THAT INOC VERY INTERESTED IN UTILIZING CONOCO'S "VIBROSEIS" SYSTEM FOR EXPLORATION AND WOULD LIKE TO WORK OUT ARRANGEMENT GIVING CONOCO RESPONSIBILITY FOR E & P OF ONE BLOC AND EXTENSIVE TRAINING TO IRAQI WORKERS. HOWEVER, PAYMENT WOULD BE ON STRAIGHT COST PLUS PROFIT BASIS WITH NO CONCESSIONAL PRICE OR PRODUCTION SHARING ARRANGEMENT. CONOCO WOULD ONLY HAVE RIGHT TO PURCHASE PERCENTAGE OF OIL AT MARKET PRICE FOR UNSPECIFIED PERIOD.

4. ALTHOUGH DISCUSSIONS WERE ONLY EXPLORATORY, O'DELL STRONGLY DOUBTED THAT CONOCO WOULD BE INTERESTED BECAUSE ITS LIMITED RESOURCES ARE ALREADY SPREAD THIN WORLDWIDE, IT PREFERRED CAPITAL RISK VENTURES IN WHICH SUBSTANTIAL LONG TERM PROFITS WERE POSSIBLE, AND THERE WAS NO GUARANTEE OF LENGTH OF TIME SUCH ARRANGEMENT WOULD ASSURE ACCESS TO CRUDE. HE WAS NOT CONCERNED ABOUT SETTING PRECEDENT THAT OTHER COUNTRIES MIGHT FOLLOW BECAUSE HE BELIEVES MOST OTHER COUNTRIES STILL PREFER CONCESSIONAL ARRANGEMENTS UNDER WHICH THEY PUT UP NONE OF THE RISK CAPITAL.

5. COMMENT: ALTHOUGH NOT RECEPTIVE TO IRAQI SERVICE CONTRACT FORMULA FOR E & P, O'DELL WAS OBVIOUSLY INTRIGUED BY PROSPECT OF ENTERING IRAQ AND I ENCOURAGED HIM TO EXAMINE ALL POSSIBLE WAYS OF DOING SO, CITING INTER ALIA IRAQ'S LONG TERM PROSPECTS AND STRONG PREFERENCE FOR AMERICAN PETROLEUM TECHNOLOGY.
LOWRIE

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